

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 L-03 H-01 CEA-01 IO-13 PA-01
PRS-01 USIE-00 SP-02 AID-05 EB-08 NSC-05 SS-15
STR-04 OMB-01 CIAE-00 COME-00 FRB-03 INR-07
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 EURE-00
SSO-00 INRE-00 NSCE-00 /100 W
-----211451Z 024309 /40

O R 211420Z MAR 77 ZFF 4
FM AMEMBASSY LONDON
TO TREASURY DEPT WASHDC IMMEDIATE
SECSTATE WASHDC 1758
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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PASS TREASURY FOR F. LISLE WIDMAN; FEDERAL RESERVE BOARD

E.O. 11652: N/A
TAGS: EFIN, UK
SUBJECT: POSSIBLE IMPACT OF VOTE OF CONFIDENCE ON
STERLING AND ECONOMIC POLICY

1. FOREIGN EXCHANGE MARKETS EXPECT A NERVOUS PERIOD UNTIL WEDNESDAY'S VOTE OF CONFIDENCE. IF VOTE GOES AGAINST THE GOVERNMENT, THEY THEN EXPECT AT LEAST A FURTHER NERVOUS FOUR WEEKS OR SO, UNTIL A NEW GOVERNMENT IS FORMED.

2. STERLING FELL THIS MORNING ON HEFTY SALES OF STERLING FROM U.K. OPERATORS, TAKING RATE TO \$1.7150 RANGE.
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ON THE OTHER HAND, LARGE OPERATORS ON CONTINENT HAVE NOT BEEN SEEN DEALING PROFESSIONALLY AGAINST STERLING. MARKET OPERATORS ESTIMATE BANK OF ENGLAND SPENT OVER \$100 MILLION SUPPORTING STERLING THIS MORNING; BANK OF ENGLAND SOURCE SAYS BANK SEES NO REASON FOR A FUNDAMENTAL CHANGE IN ITS APPROACH TO STERLING, ADDING "AFTER ALL, WE ARE STILL TIED TO THE IMF".

3. FINANCIAL ATTACHE HAD CONVERSATION WITH SENIOR HM TREASURY CAREER OFFICIAL ON POTENTIAL IMPACT OF WEDNESDAY'S VOTE OF CONFIDENCE ON THE MARCH 29 BUDGET, ON THE APRIL DEVELOPMENT COMMITTEE AND INTERIM COMMITTEE SESSIONS. AND ON U.K. ECONOMIC POSITIONS AT THE MAY SUMMIT. SOURCE WAS APPROPRIATELY DISCREET, BUT SPECULATED THAT IF LABOR WINS THE VOTE, HE SEES NO CHANGES FROM WHAT WOULD HAVE BEEN THE EXPECTED U.K. POSITIONS. IF LABOR LOSES THE VOTE, IT WOULD REMAIN TO BE SEEN IF CHANCELLOR WILL GO AHEAD WITH HIS SCHEDULED MARCH 29 BUDGET, WHICH IF PRESENTED ON SCHEDULE COULD BE MORE POLITICAL IN TONE.

4. SHOULD CONSERVATIVES FORM NEW GOVERNMENT, HM TRSEAUARY WOULD EXPECT TO SEE SOME CHANGES IN THE NEXT BUDGET, BUT MORE A MATTER OF NUANCE. IMF LETTER OF INTENT REDUCES FREEDOM OF ACTION. SOURCE THOUGHT IT UNLIKELY THERE WOULD BE CHANGES IN U.K. INTERNATIONAL FINANCIAL POLICY. NOT MUCH SUBSTANTIAL HAS BEEN SAID OR RAISED BY CONSERVATIVES ON RELATED POINTS DURING QUESTION TIMES IN THE HOUSE, NOR HAVE ANY MAJOR POSITIONS BEEN CHALLENGED. THESE ISSUES ARE NOT IN THE FOREFRONT OF THE CONSERVATIVE PARTY'S AGENDA. CONVERSELY. SOURCE CONSIDERED A NEW GOVERNMENT WOULD HAVE TO GIVE ABSOLUTE PRIORITY TO DOMESTIC MATTERS, I.E., INCOMES POLICY, BUDGET, AND ECONOMIC PERFORMANCE, RESULTING INITIALLY IN A MORE MUTED U.K. VOICE IN INTERNATIONAL ECONOMIC AND FINANCIAL DISCUSSIONS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VOTE OF CONFIDENCE, CURRENCIES, ECONOMIC PROGRAMS
Control Number: n/a
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Sent Date: 21-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON04627
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770096-0431
Format: TEL
From: LONDON
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770340/aaaabias.tel
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Litigation History:
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Original Classification: LIMITED OFFICIAL USE
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Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Exemptions: n/a
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Secure: OPEN
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Subject: POSSIBLE IMPACT OF VOTE OF CONFIDENCE ON STERLING AND ECONOMIC POLICY
TAGS: EFIN, UK
To: TRSY STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/71bad4b4-c288-dd11-92da-001cc4696bcc
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